



**1997**

Local Agency Military Base  
Recovery Area Booklet

**This booklet contains:**

**Form FTB 3807**, Local Agency Military Base Recovery Area  
Deduction and Credit Summary

Members of the Franchise Tax Board

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**State of California  
Franchise Tax Board**

# Instructions for Local Agency Military Base Recovery Areas — Form FTB 3807

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1997**, and to the California Revenue and Taxation Code (R&TC).

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## General Information

California has established 3 types of economic development areas that have similar tax incentives:

- Enterprise zones;
- The Los Angeles Revitalization Zone (LARZ); and
- Local agency military base recovery areas (LAMBRA).

A business may qualify for special deductions and credits if it operates or invests in a trade or business located within the geographic boundaries of one of these economic development areas.

**Note:** For information about:

- Enterprise zone tax incentives, get FTB 3805Z, Enterprise Zone Business Booklet; or
- The LARZ, get FTB 3806, Los Angeles Revitalization Zone Booklet.

## A What's New

**Legislation.** California legislation enacted this year:

- Requires the Franchise Tax Board (FTB) to provide information to the California Legislature and the Trade and Commerce Agency (TCA) regarding the number of businesses using the LAMBRA tax incentives, types of LAMBRA tax incentives being used and in which LAMBRA businesses are claiming the tax incentives.

**Note:** In order to help us meet this requirement, please be sure to attach form FTB 3807 to your return.

- Removes the election provision for the LAMBRA hiring credit and replaces it with a provision limiting the taxpayer to one hiring credit.
- Removes the election provision for the LAMBRA sales or use tax credit and replaces it with a provision limiting the taxpayer to one sales or use tax credit.

**Minimum Wage.** The California minimum hourly wage increased on March 1, 1997, (pursuant to the passage of Proposition 210, the Living Wage Act of 1996) from \$4.75 to \$5.00. A subsequent increase occurred on September 1, 1997, when the federal minimum wage (pursuant to Public Law 104-188) increased to \$5.15. The next increase will occur on March 1, 1998, when the California minimum wage (pursuant to the passage of Proposition 210, the Living Wage Act of 1996) increases to \$5.75. See Part I for how the minimum wage increases affect the hiring credit.

## B Local Agency Military Base Recovery Areas

LAMBRA's are established to stimulate growth and development in areas that experience military base closures. Businesses operating in a LAMBRA or locating in a LAMBRA, may qualify for special incentives.

## C Purpose

Use this booklet to determine the correct amount of deductions and credits that the business may claim for operating or investing in a trade or business within a LAMBRA. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3807, Local Agency Military Base Recovery Area Deduction and Credit Summary.

## D How to Claim Deductions and Credits

To claim any LAMBRA deduction or credit, the business **must attach** form FTB 3807 (included in this booklet) to the California return. So that the return will be processed correctly:

**Form 540 filers:** Write "LAMBRA" in the top left margin of Side 1 of Form 540.

**Form 100 filers:** Claim LAMBRA incentives on Form 100, line 14, line 20 and line 24 through line 27, as applicable.

**Form 100S filers:** Claim LAMBRA incentives on Form 100S, line 12, line 19 and line 23 through line 26, as applicable.

**Form 109 filers:** Check the "yes" box for the enterprise zone, LARZ or LAMBRA question on the top of Side 1 of the return.

**Attach a separate form FTB 3807 for each business you operate or invest in that is located in a LAMBRA.**

**Note:** Be sure to keep all completed worksheets and supporting documents for your records.

**Net Job Increase Requirement** – In order to qualify for the LAMBRA tax incentives, a business must have a net increase of one or more jobs within the first two taxable or income years of the commencing business within the LAMBRA. **Note:** Taxpayers engaged in operations within a LAMBRA are allowed to utilize the designated LAMBRA tax incentives beginning in the first year of operation in the LAMBRA even though they have not yet fulfilled the net jobs increase requirement. However, if after the end of the second taxable or income year of operations within the LAMBRA a taxpayer does not fulfill the net jobs increase requirement, all LAMBRA tax incentives claimed in the prior years must be recaptured.

The net increase to jobs is computed on form FTB 3807. See page 18 for the instructions on how to compute the increase.

## E LAMBRA Designation

The TCA is authorized to designate LAMBRA's. The TCA has designated the following LAMBRA's with the following designation dates:

- Southern California International Airport LAMBRA in Victorville (formerly known as George Air Force Base) on February 1, 1996; and
- Castle Airport LAMBRA in Atwater (formerly known as Castle Air Force Base) on June 1, 1996.

At the time this booklet went to press, designation was **pending** for Mare Island Naval Shipyard in Vallejo, Alameda Naval Air Station in Alameda and Tustin Marine Corps Air Station in Tustin. Incentives are available only after final designation occurs.

For information about the designation of an area call the TCA at (916) 327-2236.

If your business is located totally within a LAMBRA, within and outside a LAMBRA or in more than one LAMBRA, see Part IV, on page 9 for instructions on how to allocate income.

## F Forms Table

The titles of forms referred to in this booklet are:

Form 100	– California Corporation Franchise or Income Tax Return
Form 100S	– California S Corporation Franchise or Income Tax Return
Form 109	– California Exempt Organization Business Income Tax Return
Form 540	– California Resident Income Tax Return
Form 565	– Partnership Return of Income
Form 568	– Limited Liability Company Return of Income
Schedule CA (540)	– California Adjustments – Residents
Schedule P	– Alternative Minimum Tax and Credit Limitations
Schedule R	– Apportionment and Allocation of Income

## Part I Hiring Credit

Employers conducting a trade or business inside a LAMBRA may claim the hiring credit for a qualified employee.

### Qualified Employee

A qualified employee is an employee who:

- Was hired after the LAMBRA received its final designation (see General Information E);
- Spends at least 90% of work time on activities directly related to the conduct of a trade or business located within the LAMBRA; and
- Performs at least 50% of the work within the boundaries of the LAMBRA.

A qualified employee must be:

- A civilian or military employee of a base or former base who has been displaced as a result of a federal base closure act; or
- Certified at the time of hire as:
  1. Receiving subsidized employment, training or services under the terms of the federal Job Training Partnership Act or its successor;
  2. Registered under Greater Avenues for Independence Act; or
  3. Eligible under the federal Targeted Jobs Tax Credit Program whether or not this program is in effect.

### Qualified Wages

Qualified wages means the wages paid or incurred by the business during the taxable or income year to a qualified employee. The qualified wages are the lesser of:

- The actual hourly rate paid or incurred by the business for work performed by the employee during the taxable or income year; or

- **150% of the minimum hourly wage** established by the Industrial Welfare Commission shown in column (c) of the following table.

Where the California minimum wage is higher than the federal minimum wage, the California minimum wage is used for purposes of computing the LAMBRA hiring credit. The following table represents the applicable minimum wage and 150% of the minimum wage for purposes of computing the LAMBRA hiring credit:

	(a)	(b)	(c)
Wages paid or incurred during the following time periods:	Minimum wage	150% of the minimum wage	
October 1, 1996 through February 28, 1997	\$4.75	\$7.12	
March 1, 1997 through August 31, 1997	\$5.00	\$7.50	
September 1, 1997 through February 28, 1998	\$5.15	\$7.72	
March 1, 1998 and after	\$5.75	\$8.62	

### Credit Limitations

- The cumulative qualified wages used to compute the credit cannot exceed \$2,000,000. The limit applies to **each** taxpayer for **each** taxable or income year.
- The amount of hiring credit claimed may not exceed the amount of tax on LAMBRA business income in any year. Use Worksheet VI on Side 2 of form FTB 3807 to compute the credit limitation.
- Any unused credit may be carried over and applied against the tax imposed on LAMBRA business income in future years.
- The business must reduce any deduction for wages by the amount of this credit.
- In the case where the wage expense qualifies the business to take the LAMBRA hiring credit as well as any other additional credit, the business may claim only one credit.
- S corporations are allowed only 1/3 of the LAMBRA hiring credit by operation of law.
- S corporations must reduce their wage deduction by 1/3 of the amount on Worksheet I, Line 4. Make the wage deduction adjustment on Form 100S, line 7. In addition, the S corporation must make an adjustment for the entire amount of the credit on Schedule K (100S), line 1, column (c).

**Example:** In 1997, an S corporation qualified for a \$3,000 LAMBRA hiring credit. The S corporation can claim a credit for \$1,000 and must reduce its wage deduction by \$1,000 (\$3,000 X 1/3). On Schedule K (100S), line 1, column (c), the S corporation would add \$3,000 to the corporation's ordinary income or loss to reflect the credit passed through to the shareholder(s).

For additional information about the treatment of credits for S corporations, see Part VI on page 16.

**Record Keeping.** For each qualified employee, keep a schedule for the first 60 months (5 years) of employment showing:

- Employee name;
- Date employee was hired;
- Number of hours employee worked for each month of employment;
- Lesser of the hourly rate of pay for each month of employment or 150% of the minimum wage;
- Total qualified wages per month for each month of employment; and
- Location of employee's job site and duties performed.

### Example:

John Doe hired January 1, 1997.

Month(s)	Hours per Month	Hourly Rate	Qualified Wages per Month
1	175	\$7.00	\$1,225.00
2	170	7.12	1,210.40
3-8	172	7.50	1,290.00
9	170	7.72	1,312.40

Continue to 60

John's hourly rate for Month 1 was \$7.00. At the beginning of Month 2, his hourly rate increased to \$8.00. The hourly rate which qualifies for the credit is limited to 150% of the minimum wage (\$7.12 through February 28, 1997, \$7.50 from March 1, 1997 through August 31, 1997, and \$7.72 on or after September 1, 1997).

## Instructions for Worksheet I – Hiring Credit & Recapture

### Section A – Credit Computation

**Line 1, column (a)** – Enter the name of each qualified employee.

**Line 1, column (b) through column (d)** – Enter the qualified wages paid or incurred during the taxable or income year to each qualified employee in the appropriate column.

**Line 2, column (b) through column (d)** – Add the amount of qualified wages in each column.

**Line 3, column (b) through column (d)** – Multiply the total in each column of line 2 by the percentage in each column.

**Line 4** – Add the amounts on line 3, column (b) through column (d). Enter this amount on line 4 and on Worksheet VI, line 6B, line 8 or line 10, column (b).

**Line 5** – The federal jobs tax credit to include on line 5 is the Work Opportunity Tax Credit (as in effect January 1, 1997, in IRC Section 51) for individuals hired before October 1, 1997. No other California jobs tax credit may be claimed for the same wage expense paid to the employees shown in column (a).

### Section B – Recapture of Hiring Credit

The employer must recapture the amount of credit attributable to an employee's wages if the employer terminates an employee at any time during the longer of:

- The first 270 days of employment (whether or not consecutive); or
- 90 days of employment plus 270 calendar days.

A day of employment means any day for which the employee receives wage compensation (including a paid sick day, holiday or vacation).

The employer must add to the current year's tax the amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee. **Note:** The credit recapture does not apply if the termination of employment was:

- Voluntary on the part of the employee;
- In response to misconduct of the employee;
- Caused by the employee becoming disabled, (unless the employee was able to return to work and the employer did not offer to re-employ the individual);
- Carried out so that other qualified individuals could be hired, creating a net increase in both the number of qualified employees and their hours worked; or
- Due to a substantial reduction in the employer's trade or business operations.

This credit is also subject to recapture if the net increase in jobs requirement is not met. See the instructions for form FTB 3807, Part I, Net Increase in Jobs, on page 18.

**Line 1, column (a)** – Enter the name of the terminated employee. Attach additional schedules if necessary.

**Line 1, column (b)** – Enter the amount of credit recapture for each employee.

**Line 2** – Add the amounts in column (b). Enter the result on form FTB 3807, Side 1, line 6. Include the amount of hiring credit recapture on your California tax return or form as follows:

- Schedule J (100);
- Schedule J (100S) and Schedule K-1 (100S), line 23;
- Schedule K (109);
- Form 540, line 36;
- Form 541, line 21b and Schedule K-1 (541), line 11e;

- Schedule K (565), line 22 and Schedule K-1 (565), line 22; or
- Schedule K (568), line 22 and Schedule K-1 (568), line 22.

Indicate that you included the hiring credit recapture on your tax return by writing "FTB 3807" in the space provided on the schedule or form.

Partnerships and limited liability companies (LLCs) taxed as partnerships must identify the recapture amounts for their partners and members on Schedule K-1 (565 or 568).

S corporation shareholders must recapture the portion of credit that was previously claimed, based on the terminated employee's wages. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Schedule J (100S).

## Worksheet I Hiring Credit & Recapture — LAMBRA

### Section A Credit Computation

Qualified Wages Paid or Incurred for Year of Employment					
(a) Employee Name	(b) First Year	(c) Second Year	(d) Third Year	(e) Fourth Year	(f) Fifth Year
1					
2 Total . . . . .					
3 Multiply line 2 by the percentage in each column . . . . .	.50	.40	.30	.20	.10
4 Add the amounts on line 3, column (b) through column (d) . . . . .				4	
5 Enter the amount of 1997 federal jobs tax credit allowed for the employees shown in column (a). See instructions . . . . .				5	
6 Subtract the amount on line 5 from the amount on line 4. Enter the amount here and on Worksheet VI, line 8B, line 10 or line 12, column (b) . . . . .				6	

### Section B Credit Recapture

(a) Terminated Employee's Name	(b) LAMBRA Recapture Amount
1	
2 Total amount of credit recapture. Add the amounts in column (b). See instructions for where to report on your California tax return . . . . .	2

**Note:** You cannot take the LAMBRA hiring credit with any other hiring credit.

## Part II Sales or Use Tax Credit

**Individuals, estates or trusts, partnerships and LLCs taxed as partnerships** may claim a credit equal to the sales or use tax paid or incurred to purchase the first \$1 million of qualified property. **Corporations** may claim a credit equal to the sales or use tax paid or incurred to purchase the first \$20 million of qualified property. Individuals who are S corporation shareholders may claim their allocable share of pass-through credit to the extent the S corporation paid or incurred sales or use tax to purchase the first \$1 million of qualified property.

### Qualified property is:

- High technology equipment, such as computers and electronic processing equipment;
- Aircraft maintenance equipment, such as engine stands, hydraulic mules, power carts, test equipment, handtools, aircraft start carts, and tugs;
- Aircraft components, such as engines, fuel control units, hydraulic pumps, avionics, starts, wheels and tires; and
- IRC Section 1245 property.

The business must use the property **exclusively** within the boundaries of the LAMBRA. Use tax paid on purchases of property manufactured outside of California qualifies for the credit only if property of a comparable quality and price was not available for timely purchase and delivery from a California manufacturer.

### Leased Property

The sales tax paid on qualified property being purchased using a financial (conditional sales) contract qualifies for the sales or use tax credit.

To determine whether the lease qualifies as a purchase rather than a true lease, see Revenue Ruling 55-540, 1955-2 C.B. 39 and FTB Legal Ruling 94-2, March 23, 1994.

### Credit Limitations

- The amount of sales or use tax credit claimed may not exceed the amount of tax on the LAMBRA business income in any year. After completing Worksheet II, use Worksheet VI on Side 2 of form FTB 3807 to compute the credit limitation.
- Any unused credit may be carried over and applied against the tax on LAMBRA business income in future years.
- In the case where an item of property qualifies the business to take the LAMBRA sales or use tax credit as well as any other credit (e.g., the enterprise zone sales or use tax credit or the manufacturers' investment credit), the business may claim only one credit.

**Depreciation.** Any taxpayer that elects this credit cannot increase the basis of the qualified property by sales or use tax paid or incurred in connection with the purchase of qualified property.

To compute the difference between California and federal depreciation use the following forms:

- Form 100 filers – FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
- Form 109 filers – Schedule J (109), Depreciation or FTB 3885F, Depreciation and Amortization;
- Form 540 filers – FTB 3885A, Depreciation and Amortization;
- Form 541 filers – FTB 3885F, Depreciation and Amortization;
- Form 565 filers – FTB 3885P, Depreciation and Amortization; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization.

**Record Keeping.** In order to support the sales or use tax credit claimed, keep all records that document the purchase of the machinery, such as the sales receipt and proof of payment. Additionally, keep all records that identify or describe:

- The machinery purchased (such as serial numbers, etc.);
- The amount of sales or use tax paid on its purchase;
- The location where it is used; and
- If purchased from a manufacturer located outside California, records to substantiate that machinery of comparable quality and price was not available for purchase in California.

## Instructions for Worksheet II – Sales or Use Tax Credit & Recapture

### Section A – Credit Computation

**Line 1, column (a)** – List the items of qualified property purchased during the year. For each item, provide the location (street address and city) of its use.

**Line 1, column (b)** – Enter the cost of the property listed in column (a).

**Line 1, column (c)** – Enter the amount of sales or use tax paid or incurred on the property listed in column (a).

**Line 2, column (b)** – Add the amounts in column (b).

**Caution:** This amount cannot exceed \$1 million for individuals, estates or trusts, partnerships or LLCs taxed as partnerships or \$20 million for corporations. When computing the credit to pass through to S corporation shareholders, use \$1 million.

**Line 2, column (c)** – Add the amounts in column (c). Enter the total here and on Worksheet VI, line 9B, line 11 or line 13 column (b). **Caution:** Only the sales or use tax paid on the cost of qualified property up to the limitations on column (b) may be claimed as a credit.

### Section B – Credit Recapture

The sales or use tax credit is subject to recapture (added back to tax) if, before the close of the second taxable or income year after the property was placed in service, it is disposed of or is no longer used exclusively in the LAMBRA trade or business. In that case, the credit amount for that property is added to tax in the current taxable or income year.

This credit is also subject to recapture if the net increase to jobs requirement is not met. See the instructions for form FTB 3807, Part I, Net Increase in Jobs, on page 18.

**Line 1, column (a)** – Enter a description of the qualified property and the location of its use.

**Line 1, column (b)** – Enter the amount of credit recapture for the property.

**Line 2** – Add the amounts in column (b). Enter the amount from line 2, column (b) on form FTB 3807, Side 1, line 7. Include the amount of sales or use tax credit recapture on your California tax return or form as follows:

- Schedule J (100);
- Schedule J (100S) and Schedule K-1 (100S), line 23;
- Schedule K (109);
- Form 540, line 36;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Schedule K (565), line 22 and Schedule K-1 (565), line 22; or
- Schedule K (568), line 22 and Schedule K-1 (568), line 22.

Indicate that you included the sales or use tax credit recapture on your tax return by writing "FTB 3807" in the space provided on the schedule or form. S corporations and their shareholders must recapture the portion of credit that was previously claimed. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Schedule J (100S). Partnerships and LLCs taxed as partnerships should also identify the recapture amount for partners and members on Schedule K-1 (565 and 568).

Worksheet II      **Sales or Use Tax Credit & Recapture — LAMBRA****Section A   Credit Computation**

(a) Property Description/Location		(b) Cost	(c) Sales or Use Tax
1			
2 Add the amounts in column (b) and column (c). Enter the total from column (c) on Worksheet VI, line 9B, line 11 or line 13, column (b) . . . . .		2	

**Section B   Credit Recapture**

(a) Property Description/Location		(b) Recapture Amount
1		
2 Total recapture amount. Add the amounts in column (b). Enter the amount here and on form FTB 3807, Side 1, line 7. See instructions for where to report on your California tax return . . . . .		2

## Part III Business Expense Deduction

Businesses conducting a trade or business within a LAMBRA may **elect** to treat a portion of the cost of qualified property as a business expense rather than a capital expense. For the year the property is placed in service, the business may deduct the cost in that year rather than depreciate it over several years.

**Qualified property** is any recovery property that is IRC Section 1245 property, which includes, but is not limited to, tangible personal property (excluding buildings), most equipment and furnishings acquired by purchase for exclusive use within a LAMBRA. Office supplies and other small nondepreciable items are not included. The maximum aggregate deduction the business may claim in any taxable or income year is determined by the number of years that have elapsed since the LAMBRA received final designation. For the income year of designation and the first income year thereafter, the deduction shall not exceed, in the aggregate, \$5,000. See General Information E for the designation dates.

The business must elect to treat the cost of qualified property as a business expense in the year the property is first placed in service. However, this election is not allowed if the property was:

- Transferred between members of an affiliated group;
- Acquired as a gift or inherited;
- Traded for other property;
- Received from a personal or business relation as defined in IRC Sections 267 or 707(b); or
- Described in IRC Section 168(f).

A husband and wife filing separate returns may each claim 1/2 of the allowable deduction. In the case of a partnership, the dollar limitation applies to the partnership and to each partner. Each partner's business expense deduction passed through from the partnership is based on their allocable share of the allowable deduction.

The deduction allowed under IRC Section 179 does not apply to property for which the LAMBRA business expense deduction is claimed. Corporations may not claim the additional first-year depreciation allowed under R&TC Section 24356 on any item of property

if any portion of its cost was deducted as a business expense.

**Note:** The LAMBRA business expense deduction is not allowed for estates or trusts.

To compute the difference between California and federal depreciation use the following forms:

- Form 100 filers – FTB 3885, Corporation Depreciation and Amortization;
- Form 100S filers – Schedule B (100S), S Corporation Depreciation and Amortization;
- Form 109 filers – Schedule J (109), Depreciation or FTB 3885F, Depreciation and Amortization;
- Form 540 filers – FTB 3885A, Depreciation and Amortization Adjustments;
- Form 565 filers – FTB 3885P, Depreciation and Amortization; or
- Form 568 filers – FTB 3885L, Depreciation and Amortization.

**Election.** The LAMBRA business expense deduction must be claimed by making an election on the original return filed, and thus cannot be claimed on an amended return. Such an election cannot be revoked without the written consent of the FTB.

### Instructions for Worksheet III — Business Expense Deduction & Recapture

#### Section A — Business Expense Deduction – LAMBRA

**Line 1, column (a)** – Enter a description of the qualified property, and the location of its use.

**Line 1, column (b)** – Enter the cost of the property.

**Line 2** – Add the amounts from column (b). Enter the amount of the expense or \$5,000 whichever is smaller. Enter the amount on line 2, on form FTB 3807, Side 1, line 3, and on your California tax return or form as follows:

- Form 100, line 14;
- Form 100S, line 12, Schedule K (100S), line 8 and Schedule K-1 (100S), line 8;

- Form 109, Side 2, Part II, line 24;
- Form 540, Schedule CA (540), column B, on the applicable line for your activity;
- Schedule K (565), line 9 and Schedule K-1 (565), line 9; or
- Schedule K (568), line 9 and Schedule K-1 (568), line 9.

**Note:** If filing Form 540, indicate that you are claiming the business expense deduction by writing "FTB 3807" below the dotted line to the left of Form 540, line 14.

#### Section B — Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable or income year after the property was placed in service, the property is sold, disposed, or no longer used exclusively in the LAMBRA trade or business. In that case, add to the current year income the amount previously deducted for that property.

This deduction is also subject to recapture if the net increase to jobs requirement is not met. See the instructions for form FTB 3807, Part I, Net Increase in Jobs, on page 18.

**Line 1, column (a)** – Enter a description of the property.

**Line 1, column (b)** – Enter the amount of the business expense deduction claimed for the property that must be recaptured.

**Line 2** – Add the amounts in column (b). Enter the total here, on form FTB 3807, Side 1, line 8, and on your California tax return or form as follows:

- Form 100, line 14, as a **negative** amount;
- Form 100S, line 12, as a **negative** amount, Schedule K (100S), line 6 and Schedule K-1 (100S), line 6;
- Form 109, Side 2, Part I, line 12;
- Form 540, Schedule CA (540), column C, on the applicable line for your activity;
- Schedule K (565), line 7 and Schedule K-1 (565), line 7; or
- Schedule K (568), line 7 and Schedule K-1 (568), line 7.

**Note:** If filing Form 540, indicate that you are recapturing the business expense deduction by writing "FTB 3807" below the dotted line to the left of Form 540, line 16.

## Worksheet III Business Expense Deduction &amp; Recapture – LAMBRA

## Section A Deduction Computation

(a) Property Description/Location	(b) Cost
1	
2 Total. Add the amounts in column (b). (Do not enter more than \$5,000). Enter here and on form FTB 3807, Side 1, line 3. See instructions for where to report on your California tax return. . . . .	2

## Section B Deduction Recapture

(a) Property Description/Location	(b) Recapture Amount
1	
2 Total recapture amount. Add the amounts in column (b). Enter the amount here and on form FTB 3807, Side 1, line 8. See instructions for where to report on your California tax return. . . . .	2



## Part IV Doing Business Totally Within, Within and Outside a LAMBRA or in More Than One LAMBRA

The LAMBRA tax credits are limited to the tax on business income attributable to operations within the area. If the business is located both within and outside a LAMBRA or in more than one LAMBRA, it must determine the portion of total business operations that are attributable to each LAMBRA.

Use Worksheet IV, Apportionment — LAMBRA, to determine the percentage of LAMBRA business income to total business income. This percentage determines the amount of the tax incentives that can be used.

**Note:** If the business location(s) is solely within a single LAMBRA and does not operate outside the LAMBRA, you do not have to complete this worksheet. Enter 100% on line 4.

### Business Income vs. Nonbusiness Income

Only business income is apportioned to the LAMBRA where operations are conducted. LAMBRA tax incentives are limited to tax on business income attributable to operations within the LAMBRA.

Business income is income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Nonbusiness income is all income other than business income. Get Title 18 Cal. Code Reg. Section 25120 for further references and examples of nonbusiness income.

For an individual, business income includes but is not limited to California business income or loss from Schedules C, D, D-1 (or Form 4797, Sales of Business Property, if you did not have to file a Schedule D-1), E and F and wages. Be sure to include casualty losses, disaster losses and any business deductions reported on Schedule A as itemized deductions.

**Note:** If you elected to carryback part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in your current year business income for the LAMBRA.

In general, all transactions and activities of the business that are dependent upon or contribute to the operations of the economic enterprise as a whole constitute the trade or business.

When a corporation is part of a group of corporations engaged in a unitary business, the income and apportionment factors of the unitary group must be combined. For more information, see Schedule R. See instructions for ordering forms on page 25.

Pass-through entities must report to their shareholders, beneficiaries, partners and members:

1. The distributive (or pro rata for S corporations) share of the business income apportioned to the LAMBRA; and
2. The distributive (or pro rata for S corporations) share of the business capital gains apportioned to the LAMBRA included in item 1.

These items should be reported using the appropriate California forms listed below:

- Schedule K-1 (100S), line 23;
- Schedule K-1 (541), line 11e;
- Schedule K-1 (565), line 22; or
- Schedule K-1 (568), line 22.

### Property Factor

Property is defined as the average value of all real and tangible personal property owned or rented and used during the taxable or income year to produce business income. **Note:** Property is included in the factor if it could be used during the year.

Property owned by the business is valued at its original cost. **Original cost** is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

**Rented property** is valued at 8 times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less aggregate annual subrental rates paid by subtenants.

The **numerator** of the property factor is the average value of real and tangible personal property owned or rented by the business and used within a LAMBRA during the year to produce LAMBRA business income (column (b)).

The **denominator** of the property factor is the total average value of all real and tangible personal property owned or rented and used during the year to produce business income both within and outside the LAMBRA (column (a)).

### Payroll Factor

Payroll is defined as the total amount paid to employees as compensation for the production of business income during the taxable or income year.

**Compensation** means wages, salaries, commissions and any other form of remuneration paid directly to employees for personal services. Payments made to independent contractors or any other person not properly classified as an employee are excluded.

### Compensation Within the LAMBRA

Compensation is considered to be within a LAMBRA if any one of the following tests is met:

- Employee services are performed within the geographical boundaries of a LAMBRA; or
- The employee services are performed both within and outside the LAMBRA, but the services performed outside the LAMBRA are incidental to the employee services within the area.

**Note:** Incidental means any temporary or transitory service rendered in connection with an isolated transaction.

### Compensation Within and Outside the LAMBRA

If employee services are performed both within and outside the LAMBRA, employee compensation will be attributed to the LAMBRA if:

- The employee's base of operations is within the LAMBRA; or
- There is no base of operations in any other part of the state in which some part of the service is performed, but the place from which the service is directed or controlled is within the LAMBRA.

**Base of operations** is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or other persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

The **numerator** of the payroll factor is the total compensation paid to employees for working within the LAMBRA during the taxable or income year (column (b)).

The **denominator** of the payroll factor is the total compensation paid for the production of business income during the year both within and outside of the LAMBRA (column (a)).

### Example – Computation of LAMBRA income assigned to each entity operating within the LAMBRA:

Parent Corporation A has 2 subsidiaries, B and C. Corporations A and B operate within the area. The combined group operates both within and outside California. The combined group's business income was \$1,000,000.

Business income apportioned to the LAMBRA is determined as follows:

	A	B	Combined
<b>Property Factor</b>			
LAMBRA property	\$2,000,000	\$1,000,000	\$3,000,000
Worldwide property			\$5,000,000
Apportionment %	40%	20%	60%
<b>Payroll Factor</b>			
LAMBRA payroll	\$2,000,000	\$800,000	\$2,800,000
Worldwide payroll			\$4,000,000
Apportionment %	50%	20%	70%
<b>Average Apportionment %</b>	45%	20%	65%
<small>(Property + Payroll Factors) 2</small>			
<b>Business Income</b>			\$1,000,000
<b>LAMBRA INCOME</b>	\$ 450,000	\$ 200,000	\$ 650,000

**Worksheet IV Apportionment — LAMBRA**

Use Worksheet IV if your business has income from sources within and outside the LAMBRA.

	(a) Total Within and Outside LAMBRA	(b) Total Within LAMBRA	(c) Percent Within LAMBRA Column (b) ÷ Column (a)
<b>1</b> Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions on page 9. Exclude property not connected with the business and the value of construction in progress.			
Inventory . . . . .			
Buildings . . . . .			
Machinery and equipment . . . . .			
Furniture and fixtures . . . . .			
Delivery equipment . . . . .			
Land . . . . .			
Other tangible assets (attach schedule) . . . . .			
Rented property used in the business: See instructions on page 9 . . . . .			
<b>Total property values.</b> . . . . .			
<b>2</b> Employee's wages, salaries, commissions and other compensation related to business income included in return.			
<b>Total payroll.</b> . . . . .			
<b>3</b> Total percent (sum of the percentages in column (c)) . . . .			
<b>4</b> Average apportionment percentage (1/2 of line 3). Enter here and on form FTB 3807, Side 1, line 5 . . . . .			

The average apportionment percentage shown on line 4 represents the portion of the business conducted everywhere attributable to activities conducted within the LAMBRA. Use this figure to apportion income and losses where these amounts are to be divided between activities within and outside the LAMBRA.

**Note:** Those factors with zero balances in the totals of column (a) will not be included in the computation of the average apportioned percentage. For example, if the taxpayer has no payroll within and outside a LAMBRA then the average apportionment percentage would be the percentage from line 1, column (c).

## Part V Net Operating Loss (NOL) Computation and Loss Limitations

An NOL generated by a business that operates or invests within a LAMBRA can be carried forward for 15 years but cannot be carried back. In addition, up to 100% of the NOL generated in a LAMBRA can be carried forward. The business cannot generate NOLs from activities within the LAMBRA area until the first taxable or income year beginning on or after the date the LAMBRA is officially designated. See General Information E for pending designations for LAMBRA.

**Limitation.** A LAMBRA NOL deduction can offset only business income attributable to operations within the LAMBRA.

**Election.** Businesses must elect the carryover category (general or specific, enterprise zone, LARZ or LAMBRA NOLs) on the return for the year of a loss and file form FTB 3807 for each year in which a LAMBRA NOL deduction is being taken. The election is **irrevocable**.

**Note:** If you elect the LAMBRA NOL deduction, you are prohibited by law from carrying over any other type of NOL from this year.

To determine which type of NOL will provide the greater benefit, businesses that have general or specific, enterprise zone, LARZ or LAMBRA NOLs or that may qualify for the new special NOLs should complete Worksheet V and the following forms or worksheets if applicable:

- FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts.
- FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations.
- FTB 3805Z, Enterprise Zone Business Booklet, Worksheet V.
- FTB 3806, Los Angeles Revitalization Zone Business Booklet, Worksheet V.

**Alternative Minimum Tax.** Businesses claiming a LAMBRA NOL deduction must determine their NOL for alternative minimum tax purposes. Use Schedule P (100, 540, 540NR or 541) to compute the NOL for alternative minimum tax purposes.

**S Corporations.** LAMBRA NOLs incurred prior to becoming an S corporation may not be used against S corporation income. See IRC Section 1371(b). However, an S corporation is allowed to deduct a LAMBRA NOL incurred after the "S" election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-

level tax (3.5% for financial S corporations). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

### **NOL Carryover Amount — Nonapportioning Corporations That Are Totally Within the LAMBRA**

The NOL carryover is determined by computing the business loss that results from business activity in the LAMBRA.

### **NOL Carryover Amount — Apportioning Corporations and Nonapportioning Corporations**

If the business is located both within and outside of one or more LAMBRA, or is located in more than one LAMBRA, the NOL carryover is determined by apportioning the total business loss of the corporation to the LAMBRA based on a special zone apportionment percentage computed in Worksheet IV.

Corporations that are members of a unitary group filing a combined report must separately compute the loss carryover for each corporation in the group (R&TC Section 25108) using their individual apportionment factors. Unlike the NOL treatment on a federal consolidated return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For water's-edge purposes, each corporation's NOL carryover is limited to the amount determined by recomputing the income and factors of the original worldwide combined reporting group as if the water's-edge election had been in force for the year of the loss. The NOL carryover may not be increased as a result of the recomputation.

## Instructions for Worksheet V — NOL Computation and Loss Limitations

Individuals and exempt organizations treated as trusts with a current year loss complete Section A. Corporations with a current year loss complete Section B.

### Section A Computation of Current Year NOL — Individuals and Exempt Organizations Treated As Trusts

Use this section to compute the NOL to be carried over to future years by individuals and exempt organizations treated as trusts.

Complete Section A only if you have a current year loss.

You must complete form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates and Trusts, before you can compute the allowable LAMBRA loss.

To compute a LAMBRA NOL, it is necessary to separate business income and deductions from nonbusiness income and deductions. See Part IV, Doing Business Totally Within, Within and Outside a LAMBRA or in More Than One LAMBRA, for a complete discussion of business and nonbusiness income.

Use the Income Worksheet on the following page to determine the amount to enter on:

- Worksheet V, Section A, line 1;
- Worksheet V, Section C, line 1 and line 5 (Form 540 filers); and
- Worksheet VI, Part I, line 1 and line 3.

Do not include disaster losses in any amounts used in the table.

### **Wages**

Taxpayers with wages from a company located within and outside the LAMBRA must determine the LAMBRA wage income by entering the percentage of their time (during the period for which the wages entered on line 1 were earned) that they worked within the LAMBRA. This percentage must be determined based on their record of time and events such as a travel log or entries in a daily planner.

### **Multiple Pass-through Entities**

If you are a shareholder, beneficiary, partner or member in multiple pass-through entities with businesses located within and outside the LAMBRA from which you received LAMBRA incentives, see the example below for computing business income in the LAMBRA.

Pass-through Entity	Trade or Business Income from Schedule K-1 (100S, 541, 565 or 568)	Entity's LAMBRA Apportionment Percentage	LAMBRA Apportioned Income
ABC, Inc.	\$40,000	80%	\$32,000
A, B & C	30,000	10%	3,000
ABC, LLC	10,000	50%	5,000
			\$40,000

### **Business Income**

Use business income or loss from Form 1040 Schedules C, C-EZ, E and F, plus California adjustments from Schedule CA (540) for each trade or business. Also include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1.

Income Worksheet — LAMBRA

Part I Individual Income and Expense Items

	(a) Amount	(b) % of time providing services in the LAMBRA	(c) Apportioned amount (a) x (b)
1 Wages . . . . .			
2 Employee Business Expenses . . . . .			
3 Subtotal: Enter the total of line 1, column (c) and line 2, column (c) in column (c), this line. . . . .			

Part II Pass-through Income or Loss

(a) Name of entity	(b) Distributive or pro-rata share of business income or loss apportioned to the LAMBRA from Schedule K-1 (100S, 541, 565 or 568) including capital gains and losses
4	
5 Subtotal: Enter the total of line 4, column (b) in column (b), this line . . . . .	

Part III Taxpayer's Trade or Business

	(a) Business income	(b) Apportionment % for the LAMBRA	(c) Apportioned income or loss (a) x (b)
6 Schedule C or C-EZ. . . . .			
7 Schedule E (Rentals) . . . . .			
8 Schedule F. . . . .			
9 Subtotal: Enter the total of line 6, column (c), line 7, column (c) and line 8, column (c) in column (c), this line . . . . .			

	(a) Business gain or loss	(b) Apportionment % for the LAMBRA	(c) Apportioned income or loss (a) x (b)
10 Form 540, Schedule D . . . . .			
11 Form 540, Schedule D-1 . . . . .			
12 Subtotal: Enter the total of line 10, column (c) and line 11, column (c) in column (c), this line . . . . .			

	(a) Amount	(b) Apportionment % for the LAMBRA	(c) Apportioned income or loss (a) x (b)
13 Other business income or loss . . . . .			
14 Subtotal: Enter the total of other business income or loss item(s) from line 13, column (c) in column (c), this line . . . . .			
15 Total: Enter the total of column (c) for line 3, line 5, line 9, line 12 and line 14 in column (c), this line . . . . .			

If the result on the Income Worksheet, line 15, column (c) is a negative amount, enter this amount on:

- Worksheet V, Section A, line 1;

If the result on the Income Worksheet, line 15, column (c) is a positive amount and:

- You have NOL carryovers, enter the amount on Worksheet V, Section C, line 1 and line 6 (skip line 2 through line 5). Also enter the amount from the Income Worksheet, line 15, column (c), on Worksheet VI, Part I, line 1 and line 3 (skip line 2), if you have LAMBRA credits.
- You do not have NOL carryovers but you do have credits or credit carryovers, enter the amount on Worksheet VI, Part I, line 1 and line 3 (skip line 2).

## Section B Computation of Current Year NOL — Corporations

Use this section to compute the LAMBRA NOL to be carried over to future years for corporations. Complete Section B **only** if the corporation has a current year loss.

You must complete form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations, before you can compute the allowable LAMBRA loss.

## Section C — Computation of NOL Carryover and Carryover Limitations — Individuals, Exempt Organizations Treated as Trusts and Corporations

Use this section to compute the LAMBRA NOL deduction for individuals, exempt organizations treated as trusts and corporations. The NOL deduction is used to reduce current year income from the LAMBRA.

**Line 1** — See Part IV, Doing Business Totally Within, Within and Outside a LAMBRA or in More Than One LAMBRA, for a complete discussion of business vs. nonbusiness income.

**Note to Form 540 filers:** Be sure to include on line 1, the amount of deduction for prior year disaster losses reported on Schedule CA (540) for purposes of this worksheet section.

**Line 2** — In modifying your income, deduct your capital losses only up to your capital gains. Enter as a positive number, any net capital losses included in line 1.

**Line 3** — Corporations must reduce income by the disaster loss deduction and the deduction for excess net passive income.

**Line 6** — This is your modified taxable income. Reduce this amount by your LAMBRA NOL deduction. The LAMBRA NOL deduction may not be larger than your modified taxable income (MTI). If your MTI is a loss in the current year or if it limits the amount of NOL you may use this year, you must carry over the NOL to future years.

**Line 7** — Enter the amount from line 6. If this amount is zero or negative, transfer the amount from line 8 and line 9, column (b) to line 8 and line 9, column (e). Go to line 10.

**Line 8 and Line 9** — Enter the amounts as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

**Example:**

(b) Carry-over from prior years	(c) Amount used this year	(d) Balance available to offset losses	(e) Carry-over
		\$5,000	
\$ 500	\$ 500	4,500	\$ 0

**Line 10** — Enter the amount of your current year NOL in column (e). Individuals and Exempt Organizations Treated as Trusts: enter the amount from Section A, line 7. Corporations: enter the amount from Section B, line 7.

The LAMBRA NOL deduction for 1997 is the total of column (c). Enter this amount on your California tax return or form as follows:

- Form 100, line 20;
- Form 100S, line 19;
- Form 109, line 3 or line 11; or
- Schedule CA (540), line 21e, column B.

## Section A Computation of Current Year NOL — Individuals and Exempt Organizations Treated as Trusts

1	Net trade or business loss from all sources. <b>Individuals:</b> Enter the total from the Income Worksheet, line 15, column (c) (page 12) as a positive number. For purposes of this worksheet section, do not include any 1997 disaster losses or disaster loss carryovers in line 1. See definition of business income on page 9. <b>Exempt Organizations Treated as Trusts:</b> Enter the amount from Form 109, line 10. . . . .	1	
2	Business capital losses included in line 1. Enter as a positive number . . . . .	2	
3	Business capital gains included in line 1. . . . .	3	
4	If line 2 is greater than line 3, enter the difference as a positive number; otherwise enter -0- . . . . .	4	
5	Subtract line 4 from line 1. If the result is zero or less, do not complete the rest of this section. You do not have a current year NOL from a LAMBRA . . . . .	5	
6	Enter the amount from form FTB 3805V, Part I, Section A, line 20. . . . .	6	
7	Enter the smaller of line 5 or line 6 here and in Section C, line 10, column (e) . . . . . This is the LAMBRA NOL carryover from 1997 to 1998	7	

## Section B Computation of Current Year NOL — Corporations

**Note:** If you have both a LAMBRA NOL and a prior year general NOL, see instructions on page 11.

During the year the corporation incurred the NOL, the corporation was a: ☐ C Corporation ☐ S Corporation ☐ Exempt Corporation

1	Net loss for state purposes from Form 100, line 17; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1. Enter as a positive number . . . . .	1	
2	a 1997 disaster relief loss included in line 1. Enter as a positive number . . . . .	2a	
	b Nonbusiness income included in line 1. Enter as a negative number. . . . .	2b	
	c Nonbusiness losses included in line 1. Enter as a positive number . . . . .	2c	
	d Combine line 2a through line 2c . . . . .	2d	
3	Subtract line 2d from line 1. If zero or less, do not complete the rest of this section; the corporation does not have a current year NOL from a LAMBRA . . . . .	3	
4	Enter the average apportionment percentage from Worksheet IV, line 4. . . . .	4	
5	Multiply line 3 by line 4. . . . .	5	
6	Enter the amount from form FTB 3805Q, Part I, line 3 . . . . .	6	
7	Enter the smaller of line 5 or line 6 here and in Section C, line 10, column (e) . . . . . This is the LAMBRA NOL carryover from 1997 to 1998.	7	

**Section C NOL Carryover and Carryover Limitations — Individuals, Exempt Organizations Treated as Trusts and Corporations.**

<b>1</b> Enter the amount from Form 100, line 17; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 10. Form 540 filers, enter the total from the Income Worksheet, line 15, column (c) (page 12) on line 1 and line 6 (skip line 2 through line 5). See instructions . . . . .	<b>1</b>		
<b>2 a</b> Form 100, 100S, and 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 filers leave blank . . . . .	<b>2a</b>		
<b>b</b> Form 100, 100S, and 109 filers: Enter any nonbusiness losses included in line 1 as a positive number. Form 540 filers leave blank . . . . .	<b>2b</b>		
<b>c</b> Combine line 2a through line 2b . . . . .	<b>2c</b>		
<b>3</b> Form 100 Filers: Enter the amount from Form 100, line 21. Form 100S Filers: Enter the total of the amounts on Form 100S, line 17 and line 20. Form 540 Filers and Form 109 Filers: Enter -0-. Enter this amount as a negative number . . . . .	<b>3</b>		
<b>4</b> Combine line 1, line 2c and line 3 . . . . .	<b>4</b>		
<b>5</b> Enter the average apportionment percentage from Worksheet IV, line 4 . . . . .	<b>5</b>		
<b>6</b> Modified taxable income. Multiply line 4 by line 5. See instructions . . . . .		<b>6</b>	

(a) Description	(b) Carryover from prior years	(c) Amount deducted this year	(d) Balance available to offset losses	(e) NOL Carryover
<b>7</b> Modified taxable income from line 6. See instructions . . . . .				
<b>8</b> LAMBRA NOL carryover beginning in 1995. See instructions . . . . .				
<b>9</b> LAMBRA NOL carryover beginning in 1996. See instructions . . . . .				
<b>10</b> LAMBRA NOL carryover beginning in 1997. See instructions . . . . .				
<b>11</b> Add the amounts in column (b) through column (e). Enter the totals from column (b), column (c) and column (e) on form FTB 3807, Side 1, line 4a, line 4b and line 4c respectively .				

## Part VI Computation of Credit Limitations

**Credit Limitations.** The amount of credit you can claim on your California tax return is limited by the amount of tax attributable to LAMBRA income. Use Worksheet VI on form FTB 3807, Side 2 to compute this limitation.

Credits you are otherwise eligible to claim may be limited. Do not apply credits against the minimum franchise tax (corporations, limited partnerships, limited liability partnerships, S corporations and LLCs), the alternative minimum tax (corporations, individuals and fiduciaries), the built-in gains tax (S corporations) or the net passive income tax (S corporations). Refer to the credit instructions in your tax booklet for more information.

### S Corporations and the Application of LAMBRA Credits.

An S corporation may use its LAMBRA credits to reduce LAMBRA tax both at the corporate and shareholder levels. An S corporation may use 1/3 of the LAMBRA credits to reduce the tax on the S corporation's LAMBRA income. In addition, S corporation shareholders may claim their distributive share of the entire amount of the LAMBRA credits calculated under the Personal Income Tax Law.

**Example:** In 1997, an S corporation qualified for a \$3,000 LAMBRA hiring credit. The S corporation will be able to use 1/3 of the credit ( $\$3,000 \times 1/3 = \$1,000$ ), to offset the tax on the corporation's LAMBRA income. The S corporation will also pass through a \$3,000 credit, determined under the Personal Income Tax Law provisions, to its shareholders to offset their individual tax on LAMBRA income.

S corporations must attach form FTB 3807 to Form 100S, California S Corporation Franchise or Income Tax Return, to claim the tax credits. If form FTB 3807 is not attached to the return, the credits may be disallowed.

Shareholders must attach Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits, etc., to their individual tax return.

**Carryover.** If the amount of credit available this year exceeds your tax, you may carry over any excess credit to future years until the LAMBRA ceases to exist or fifteen years, if longer.

For S corporations, the amount of the 1/3 credit that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may also be carried forward and used in future years to offset the 1.5% entity-level tax (3.5% for S corporations). See the instructions for Worksheet VI, Part III for more information.

**Credit Code Number.** You must use credit code number **198** to claim the LAMBRA hiring and sales or use tax credit. Using an incorrect code number may cause a delay in allowing the credit.

## Instructions for Worksheet VI — Computation of Credits

Worksheet VI is on Side 2 of form FTB 3807.

**Partnerships and LLCs taxed as partnerships do not complete Worksheet VI. The partners and members of these types of entities should complete Worksheet VI in order to determine the amount of LAMBRA credits that they may claim on their California tax returns.**

### Reporting Requirements of S corporations, Estates or Trusts, Partnerships and LLCs Taxed as Partnerships.

- Report to shareholders, beneficiaries, partners and members, the distributive or pro-rata share of business capital gains and losses apportioned to the zone; and
- Separately state any distributive share of business capital gains and losses apportioned to the zone included in the amount above.

**S corporations:** Complete Part III of this worksheet if your entity-level tax before credits is more than the minimum franchise tax.

**Corporations and S corporations subject to the minimum franchise tax only:** Complete only Part IV of this worksheet.

**All others:** Complete Part I and Part II of this worksheet.

Part I

**Note:** For filers with NOL or NOL carryovers.

- Complete Worksheet V first, if you have a current year NOL or an NOL carryover.
- Then complete Worksheet VI if you have any LAMBRA credits.

If you do not have a current year NOL or any NOL carryovers:

- Individual filers: Go to the Income Worksheet in the instructions for Worksheet V, Section A. Follow the instructions there. Enter the amount from the Income Worksheet, line 15, column (c) on Worksheet VI, Part I, line 1 and line 3 (skip line 2).
- Corporations: Follow the instructions for line 1 below.

**Line 1** – Enter all trade or business income. See Part IV for the definition of trade or business income.

**Line 2** – If your business is located entirely within the LAMBRA, enter 1.

Specifically, this percentage is the apportionment percentage computed by the entity using form FTB 3807, Worksheet IV, and represents the percentage of the entity's business attributable to the LAMBRA.

**Line 3** – If the amount on line 3 is negative, you cannot use any incentives to offset the current year tax liability. Enter -0- on line 5. Carryover of the unused incentives is allowed as provided. See the specific incentive for further information.

**Line 6a** – Compute the tax as if the LAMBRA taxable income represented all of your taxable income.

### Example (Determination of LAMBRA Income for Shareholders, Partners or Members of Pass-through Entities):

John Smith is vice president of ABC, Inc., an S corporation that has two locations: one within a LAMBRA and one outside the LAMBRA. Eighty percent (80%) of the S corporation's business is attributable to the LAMBRA. (Note: This percentage was determined by ABC, Inc. using form FTB 3807, Worksheet IV — Apportionment Worksheet, when ABC's California S corporation return (Form 100S) was prepared). John divides his time equally (50%/50%) between the two offices of ABC, Inc.

Mary Smith (John's spouse) works for ABC, Inc. at its office located within the LAMBRA.

John and Mary Smith have the following 1997 items of California income and expense:

John's salary from ABC, Inc.	\$100,000
Mary's salary from ABC, Inc.	75,000
Interest on savings account	1,000
Dividends	3,000
Schedule K-1(100S) from ABC, Inc.:	
Ordinary income	40,000
LAMBRA business expense deduction	(5,000)*
John's unreimbursed employee expenses from Schedule A	(2,000)

\*The LAMBRA business expense deduction is a separately stated item on Schedule K-1 (100S), line 8.

The Smith's LAMBRA income (total amount to be reported on line 3) is computed as follows:

John's LAMBRA salary (\$100,000 x 50%)	\$50,000
Mary's LAMBRA salary (\$75,000 x 100%)	75,000
Pass-through ordinary income from ABC, Inc. (\$40,000 x 80%)	32,000
LAMBRA business expense deduction from ABC, Inc.	(5,000)
John's unreimbursed employee business expenses (2,000 x 50%)	(1,000)
Total LAMBRA income (Worksheet VI, Part I, line 3)	\$151,000

**Note:** The standard deduction and personal or dependency exemptions are not included in the computation of LAMBRA income since they are not related to trade or business activities.

John and Mary must compute the tax (to be entered on Worksheet VI, Part I, line 6a) on the total LAMBRA income of \$151,000 (as if it represents all of their income). Using the tax rate schedule in their tax booklet for filing status married filing joint, the 1997 tax figured on \$151,000 is \$10,819.

**Individuals:** Use the tax table or tax rate schedule for your filing status in your tax booklet.

**Exempt organizations:** Use the applicable tax rate in your tax booklet. Corporations and S corporations: Use the applicable tax rate.

**Line 6b – Corporations and S corporations:** If the amount on line 6b is the minimum franchise tax (\$800), you cannot use



your LAMBRA credits this year. You should complete Part IV of the worksheet to figure the amount of credit carryover.

#### Part II

Use Part II if you are a corporation, individual, estate or trust. Corporations that are subject to paying only the minimum franchise tax go to Part IV.

**Line 8A, column (e)** – Enter the amount from line 7. This is the amount of limitation based on the tax on LAMBRA business income.

**Line 8A, column (f)** – Enter the amount of credit that is used on Schedule P (100, 540, 540NR or 541), column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 8B, column (d).

**Line 8B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet I, Section A, line 6.

**Line 8B, column (c)** – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet I, Section A, in the prior year, minus the amount that was allowed to be taken on the prior year return).

**Line 8B, column (d)** – Add the amount of the current year credit in column (b) and the amount of the total prior year carryover in column (c).

**Line 8B, column (e)** – Compare the amount of line 8A, column (e) and line 8A, column (f). Enter the smaller amount.

**Line 8B, column (g)** – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit that can be carried over to future years. **Note:** This carryover includes both the Schedule P (100, 540, 540NR or 541) limitation and the limitation based on LAMBRA business income.

**Line 9A, column (e)** – Subtract the amount of line 8B, column (e) from the amount of line 8A, column (e). If the result is zero, your remaining credits are limited and must be carried over to future years. In this case, enter the amounts from line 9B, column (d) on line 9B, column (g).

**Line 9A, column (f)** – Enter the amount of credit that is used on Schedule P (100, 540, 540NR or 541), column (b). The amount cannot be greater than the amount in column (e)

or the amount computed on line 9B, column (d).

**Line 9B, column (b)** – Enter the amount of the current year credit that was computed on Worksheet II, Section A, line 2, column (c).

**Line 9B, column (c)** – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet II, Section A minus the amount that was allowed to be taken on the prior year return).

**Line 9B, column (d)** – Add the amount of the current year credit in column (b) and the amount of the total prior year carryover in column (c).

**Line 9B, column (e)** – Compare the amount of line 9A, column (e) and line 9A, column (f). Enter the smaller amount.

**Line 9B, column (g)** – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit that can be carried over to future years. **Note:** This carryover includes both the Schedule P (100, 540, 540NR or 541) limitation and the limitation based on LAMBRA business income.

#### Example:

The ABC Business has \$8,000 of tax. The business computed a credit limitation based on LAMBRA business income of \$7,000 on Worksheet VI, line 5. The business has the following credits:

Hiring Credit	—	\$ 500
Sales or Use Tax Credit	—	\$9,000

Worksheet VI, Part II would be computed as follows:

#### Part II Limitation of credits for Corporations, Individuals and Estates and Trusts

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit Add Col. (b) and Col. (c)	(e) Limitation Based on LAMBRA Business Income	(f) Used on Schedule P (Can never be greater than Col. (d) or Col. (e).)	(g) Carryover Col. (d) Minus Col. (e)
8	Hiring Credit	A			7,000	500	
		B	500	-0-	500		-0-
9	Sales or Use Tax Credit	A			6,500	6,500	
		B	9,000	-0-	9,000		2,500

### Part III

Use Part III only if you are an S corporation.

**Line 10 and Line 11, column (b)** – Enter the credit computed this year from the appropriate worksheet.

**S corporations.** Also enter this amount on Form 100S:

- Schedule C, line 5; and
- Schedule K, line 13.

You must adjust your Schedule C (100S) to reflect the LAMBRA tax limitation (Part I, line 7) to your credits after completing this worksheet.

**Line 10 and Line 11, column (b)** – Enter the amount of current year credits (that were computed on Worksheet I and Worksheet II) in column (b) for line 10 and line 11 as applicable.

**Line 10 and Line 11, column (c)** – Multiply the amount on line 10, column (b) and line 11, column (b) each by 1/3. Enter the result in column (c). The amounts in column (c) are the maximum amounts of the current year credits that may be used by the S corporation to offset its 1.5% entity-level tax (3.5% for financial S corporations).

**Line 10 and Line 11, column (d)** – Enter the amount of the total prior year credit carryover. This is the amount of credit that was previously figured on the prior year Worksheet I or Worksheet II, minus the amount that was allowed to be taken on the prior year return.

**Line 10 and Line 11, column (e)** – Add the amounts of the current year credits in column (c) and the total prior year carryovers in column (d).

**Line 10 and Line 11, column (f)** – Enter the amount of credit that was used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations).

**Line 10 and Line 11, column (g)** – Subtract the amount in column (f) for each line from the amounts in column (e). These are the amount of credits that can be carried over to future years and used by the S corporation.

### Part IV

Use Part IV if you are a corporation or S corporation subject to paying only the minimum franchise tax.

**Line 12 and Line 13, column (b)** – Enter the amount of current year credits (that were computed on Worksheet I and Worksheet II) on line 12, column (b), and line 13, column (b),

as applicable. **S corporations** may only enter 1/3 of the amounts from Worksheet I and II.

**Line 12 and Line 13, column (c)** – Enter the amount of the total prior year carryover of the credit. (These are the amounts of credits that were previously figured on Worksheet I and Worksheet II in the prior years, minus the amount that was allowed to be taken on the prior year return). S corporations may only enter 1/3 of the amounts from Worksheet I and Worksheet II.

**Line 12 and Line 13, column (d)** – Add the amounts in column (b) and column (c) for line 12 and line 13. These are the amount of credits that can be carried over to future years.

## Specific Line Instructions

### Part I Net Increase in Jobs

Complete line 1 on form FTB 3807, Part I, Net Increase in Jobs, only if you have been doing business in a LAMBRA for two years. Use the Net Jobs Worksheet on the following page to determine the amount to enter on line 1.

A taxpayer or partnership that conducts a trade or business within a LAMBRA and that for the first two taxable years, has a *net increase in jobs* (defined as 2,000 paid hours per employee per year) of one or more employees in the LAMBRA may claim certain economic incentives.

The net increase in jobs is determined by subtracting the total number of full-time employees in California prior to starting business in the LAMBRA from the number of full-time employees in California in the second year after operation in the LAMBRA. For this purpose, the number of full-time employees for each year is determined as:

- The total number of hours worked by hourly employees (not to exceed 2,000 hours per employee) divided by 2,000; and
- The total number of months worked in the LAMBRA by salaried employees divided by 12.

If your only business in California began with your LAMBRA business, your number of California employees prior to starting business in the LAMBRA is zero.

If your business in the LAMBRA began during the taxable or income year, the first year

employment information is prorated. Multiply the divisors 2,000 (hours for hourly employees) and 12 (months for salaried employees) by a fraction, the numerator is the number of months of doing business and the denominator is 12.

If your business does not have a net increase in jobs for the first 2 taxable or income years in the LAMBRA, you must recapture (in the current year) any LAMBRA credits or deductions that were taken.

**Example** – In 1997 you employed:

5 employees who were paid by the hour and who worked 2,000 hours each;

1 employee who was paid by the hour and who worked 1,000 hours;

2 employees who were paid by the hour and who worked 2,150 hours each;

1 salaried employee who worked for 12 months; and

2 salaried employees who worked for 8 months each.

How many full-time employees does the business employ?

$$\begin{array}{rcl} 5 \times 2,000 & = & 10,000 \\ 1 \times 1,000 & = & 1,000 \\ 2 \times 2,000^* & = & 4,000 \\ \hline & & 15,000 \text{ hours} \\ & & 2,000 = 7.50 \text{ full-time} \\ & & \text{hourly employees} \end{array}$$

\*The 150 hours that these 2 employees each worked over 2,000 cannot be included in the computation.

Salaried	
employee 1	12 months
Salaried	
employee 2	8 months
Salaried	
employee 3	8 months
	<u>28 months</u>
	12 = 2.33 salaried employees

For purposes of computing the net jobs increase requirement, you would have 9.83 full-time employees (7.50 + 2.33).

Use the worksheet on the following page to determine the amounts to enter on form FTB 3807, Part I, Net Increase in Jobs. (See the example following the worksheet for how to complete the worksheet).

## Net Jobs Worksheet

	(a) Taxable/Income Year prior to operating in LAMBRA	(b) 2nd Taxable/Income Year after starting operations in LAMBRA
Taxable or Income Year		
1 Enter the total number of hours worked by hourly employees during the taxable/income year for column (a) and column (b). The total hours per employee cannot exceed 2,000. If your only business in California began with your LAMBRA business, enter zero in column (a) of line 1. . . . .		
2 Divide line 1 of each column by 2,000. . . . .		
3 Enter the total number of months worked by salaried employees. The total months per salaried employee cannot exceed 12 . . . . .		
4 Divide line 3 of each column by 12 . . . . .		
5 Add line 2 and line 4 of each column . . . . . Enter the amount on line 5, column (a) on form FTB 3807, Part I, line 1b. Enter the amount on line 5, column (b) on form FTB 3807, Part I, line 1a.		

**Example** – A corporation employs four individuals prior to establishing operations in the LAMBRA. The following is the employment information for the employees for the income year prior to operating in the LAMBRA:

- Employee #1: Salaried; employed for 12 months.
- Employee #2: Hourly, full-time; worked 2,080 hours per year.
- Employee #3: Hourly, part-time; worked 1,500 hours per year.
- Employee #4: Hourly, part-time; worked 1,500 hours per year.

At the end of the 2nd year of operation in the LAMBRA, the corporation employed the following individuals:

- Employee #1: Salaried; employed 36 months.
- Employee #2: Hourly, full-time; worked 2,080 hours per year.
- Employee #3: Hourly, part-time; worked 1,700 hours per year.
- Employee #4: Hourly, part-time; worked 1,700 hours per year.
- Employee #5: Hourly, part-time; worked 1,700 hours per year.

The worksheet above would be completed as follows:

## Net Jobs Worksheet Example

	(a) Taxable/Income Year prior to operating in LAMBRA	(b) 2nd Taxable/Income Year after starting operations in LAMBRA
1 Enter the total number of hours worked by hourly employees during the taxable/income year for column (a) and column (b). The total hours per employee cannot exceed 2,000. If your only business in California began with your LAMBRA business, enter zero in column (a) of line 1. . . . .	5,000	7,100
2 Divide line 1 of each column by 2,000. . . . .	2.5	3.55
3 Enter the total number of months worked by salaried employees. The total months per salaried employee cannot exceed 12 . . . . .	12	12
4 Divide line 3 of each column by 12 . . . . .	1	1
5 Add line 2 and line 4 of each column . . . . . Enter the amount on line 5, column (a) on form FTB 3807, Part I, line 1b. Enter the amount on line 5, column (b) on form FTB 3807, Part I, line 1a.	3.5	4.55

# Principal Business Activity Code Chart

## Agriculture, Forestry and Fishing

### Code

- 0400 Agricultural production
- 0600 Agricultural services (except veterinarians), forestry, fishing, hunting and trapping

## Mining

### Metal mining

- 1010 Iron ores
- 1070 Copper, lead and zinc, gold and silver ores
- 1098 Other metal mining
- 1150 Coal mining

### Oil and gas extraction

- 1330 Crude petroleum, natural gas and natural gas liquids
- 1380 Oil and gas field services

### Nonmetallic minerals, except fuels

- 1430 Dimension, crushed and broken stone; sand and gravel
- 1498 Other nonmetallic minerals, except fuels

## Construction

### General building contractors and operative builders

- 1510 General building contractors
- 1531 Operative builders

### 1600 Heavy construction contractors

### Special trade contractors

- 1711 Plumbing, heating and air conditioning
- 1731 Electrical work
- 1798 Other special trade contractors

## Manufacturing

### Food and kindred products

- 2010 Meat products
- 2020 Dairy products
- 2030 Preserved fruits and vegetables
- 2040 Grain mill products
- 2050 Bakery products
- 2060 Sugar and confectionary products
- 2081 Malt liquors and malt
- 2088 Alcoholic beverages, except malt liquors and malt
- 2089 Bottled soft drinks and flavorings
- 2096 Other food and kindred products

### 2100 Tobacco manufacturers

### Textile mill products

- 2228 Weaving mills and textile finishing
- 2250 Knitting mills
- 2298 Other textile mill products

### Apparel and other textile products

- 2315 Men's and boy's clothing
- 2345 Women's and children's clothing
- 2388 Other apparel and accessories
- 2390 Miscellaneous fabricated textile products

### Lumber and wood products

- 2415 Logging, sawmills and planing mills
- 2430 Millwork, plywood and related products
- 2498 Other wood products, including wood buildings and mobile homes

### 2500 Furniture and fixtures

### Paper and allied products

- 2625 Pulp, paper and board mills
- 2699 Other paper products

### Printing and publishing

- 2710 Newspapers
- 2720 Periodicals
- 2735 Books, greeting cards and miscellaneous publishing
- 2799 Commercial and other printing and printing trade services

## Chemicals and allied products

### Code

- 2815 Industrial chemicals, plastics materials and synthetics
- 2830 Drugs
- 2840 Soap, cleaners and toilet goods
- 2850 Paints and allied products
- 2898 Agricultural and other chemical products

### Petroleum refining and related industries (including those integrated with extraction)

- 2910 Petroleum refining (including integrated)
- 2998 Other petroleum and coal products

### Rubber and misc. plastics products

- 3050 Rubber products, plastics footwear, hose and belting
- 3070 Misc. plastics products

### Leather and leather products

- 3140 Footwear, except rubber
- 3198 Other leather and leather products

### Stone, clay and glass products

- 3225 Glass products
- 3240 Cement, hydraulic
- 3270 Concrete, gypsum and plaster products
- 3298 Other nonmetallic mineral products

### Primary metal industries

- 3370 Ferrous metal industries; misc. primary metal products
- 3380 Nonferrous metal industries

### Fabricated metal products

- 3410 Metal cans and shipping containers
- 3428 Cutlery, hand tools and hardware; screw machine products, bolts and similar products
- 3430 Plumbing and heating, except electric and warm air
- 3440 Fabricated structural metal products
- 3460 Metal forgings and stampings
- 3470 Coating, engraving and allied services

- 3480 Ordnance and accessories, except vehicles and guided missiles
- 3490 Misc. fabricated metal products

### Machinery, except electrical

- 3520 Farm machinery
- 3530 Construction and related machinery
- 3540 Metalworking machinery
- 3550 Special industry machinery
- 3560 General industrial machinery
- 3570 Office, computing and accounting machines
- 3598 Other machinery except electrical

### Electrical and electronic equipment

- 3630 Household appliances
- 3665 Radio, television and communication equipment
- 3670 Electronic components and accessories
- 3698 Other electrical equipment

### 3710 Motor vehicles and equipment

### Transportation equipment, except motor vehicles

- 3725 Aircraft, guided missiles and parts
- 3730 Ship and boat building and repairing
- 3798 Other transportation equipment, except motor vehicles

### Instruments and related products

- 3815 Scientific instruments and measuring devices; watches and clocks
- 3845 Optical, medical and ophthalmic goods
- 3860 Photographic equipment and supplies

### 3998 Other manufacturing products

## Transportation and Public Utilities

### Transportation

### Code

- 4000 Railroad transportation
- 4100 Local and interurban passenger transit
- 4200 Trucking and warehousing
- 4400 Water transportation
- 4500 Transportation by air
- 4600 Pipe lines, except natural gas
- 4700 Miscellaneous transportation services

### Communication

- 4825 Telephone, telegraph and other communication services
- 4830 Radio and television broadcasting

### Electric, gas and sanitary services

- 4910 Electric services
- 4920 Gas production and distribution
- 4930 Combination utility services
- 4990 Water supply and other sanitary services

## Wholesale Trade

### Durable

- 5008 Machinery, equipment and supplies
- 5010 Motor vehicles and automotive equipment
- 5020 Furniture and home furnishings
- 5030 Lumber and construction materials
- 5040 Sporting, recreational, photographic and hobby goods, toys and supplies
- 5050 Metals and minerals, except petroleum and scrap
- 5060 Electrical goods
- 5070 Hardware, plumbing and heating equipment and supplies
- 5098 Other durable goods

### Nondurable

- 5110 Paper and paper products
- 5129 Drugs, drug proprietaries and druggists' sundries
- 5130 Apparel, piece goods and notions
- 5140 Groceries and related products
- 5150 Farm-product raw materials
- 5160 Chemicals and allied products
- 5170 Petroleum and petroleum products
- 5180 Alcoholic beverages
- 5190 Misc. nondurable goods

## Retail Trade

### Building materials, garden supplies and mobile home dealers

- 5220 Building materials dealers
- 5251 Hardware stores
- 5265 Garden supplies and mobile home dealers

### 5300 General merchandise stores

### Food stores

- 5410 Grocery stores
- 5490 Other food stores

### Automotive dealers and service stations

- 5515 Motor vehicle dealers
- 5541 Gasoline service stations
- 5598 Other automotive dealers

### 5600 Apparel and accessory stores

### 5700 Furniture and home furnishings stores

### 5800 Eating and drinking places

### Misc. retail stores

- 5912 Drug stores and proprietary stores
- 5921 Liquor stores
- 5995 Other retail stores

## Finance, Insurance and Real Estate

### Banking

### Code

- 6030 Mutual savings banks
- 6060 Bank holding companies
- 6090 Banks, except mutual savings banks and bank holding companies

### Credit agencies other than banks

- 6120 Savings and loan associations
- 6140 Personal credit institutions
- 6150 Business credit institutions
- 6199 Other credit agencies

### Security, commodity brokers and services

- 6210 Security brokers, dealers and flotation companies
- 6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services

### Insurance

- 6355 Life insurance
- 6356 Mutual insurance, except life or marine and certain fire or flood insurance companies
- 6359 Other insurance companies
- 6411 Insurance agents, brokers and service

### Real estate

- 6511 Real estate operators and lessors of buildings
- 6516 Lessors of mining, oil and similar property
- 6518 Lessors of railroad property and other real property
- 6530 Condominium management and cooperative housing associations
- 6550 Subdividers and developers
- 6599 Other real estate

### Holding and other investment companies, except bank holding companies

- 6744 Small business investment companies
- 6749 Other holding and investment companies except bank holding companies

## Services

### 7000 Hotels and other lodging places

### 7200 Personal services

### Business services

- 7310 Advertising
- 7389 Business services, except advertising

### Auto repair; misc. repair services

- 7500 Auto repair and services
- 7600 Misc. repair services

### Amusement and recreation services

- 7812 Motion picture production, distribution and services
- 7830 Motion picture theaters
- 7900 Amusement and recreation services, except motion pictures

### Other services

- 8015 Offices of physicians, including osteopathic physicians
- 8021 Offices of dentists
- 8040 Offices of other health practitioners
- 8050 Nursing and personal care facilities
- 8060 Hospitals
- 8071 Medical laboratories
- 8099 Other medical services
- 8111 Legal services
- 8200 Educational services
- 8300 Social services
- 8600 Membership organizations
- 8911 Architectural and engineering services
- 8930 Accounting, auditing and bookkeeping
- 8980 Miscellaneous services (including veterinarians)

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# Local Agency Military Base Recovery Area Deduction and Credit Summary

3807

Attach to your California tax return.

Name(s) as shown on return

Social security or California corporation number

FEIN

**A. Check the appropriate box for your entity type:**

- ☐ Individual    ☐ Estate    ☐ Trust    ☐ C corporation    ☐ S corporation    ☐ Partnership  
☐ Exempt Organization    ☐ Limited Liability Company    ☐ Limited Liability Partnership

**B.** Enter the name of the Local Agency Military Base Recovery Area (LAMBRA) business: \_\_\_\_\_**C.** Enter the address (actual location) where the LAMBRA business is conducted. \_\_\_\_\_**D.** Enter the name of the LAMBRA in which the business and/or investment activity is located. See General Information E. \_\_\_\_\_**E.** Principal Business Activity Code number of the LAMBRA business . . . . . \_\_\_\_\_

Enter the 4-digit number from the Principal Business Activity Code Chart on page 20.

**F.** Total number of employees in the LAMBRA . . . . . \_\_\_\_\_**G.** Number of employees included in the computation of the hiring credit, if claimed . . . . . \_\_\_\_\_**H.** Number of new employees included in the computation of the hiring credit, if claimed . . . . . \_\_\_\_\_**I.** Gross annual receipts of the business . . . . . \_\_\_\_\_**J.** Total asset value of the business . . . . . \_\_\_\_\_**Part I Net Increase in Jobs****Note:** Complete Part I only if you have been doing business in a LAMBRA for 2 years.**1 a** Number of full-time employees in California in the 2nd year after operation in a LAMBRA . . . . . \_\_\_\_\_**b** Number of full-time employees in California prior to starting business in the LAMBRA. See instructions. . . . . \_\_\_\_\_Subtract line 1b from line 1a. This is the net jobs increase . . . . . **1** \_\_\_\_\_**Part II Credits Used****2** Hiring and sales or use tax credit claimed on the current year return:**a** Hiring credit from Worksheet VI, line 8A column (f) or line 10 column (f). . . . . \_\_\_\_\_**b** Sales or use tax credit from Worksheet VI, line 9A column (f) or line 11 column (f). . . . . \_\_\_\_\_Add line 2a and line 2b . . . . . **2** \_\_\_\_\_**Note:** To figure the amount of credits to carry over, complete Worksheet VI on Side 2.**Part III Business Expense Deduction for Equipment Purchases****3** Enter the cost of qualified property purchased for the LAMBRA that is being deducted as a current year business expense from Worksheet III, Section A, line 2 . . . . . **3** \_\_\_\_\_**ELECTION:** The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Section 17268 or 24356.8.

That election may not be revoked except with the consent of the Franchise Tax Board (FTB).

**Part IV Net Operating Loss Carryover and Deduction****4a** Enter the NOL carryover from prior years from Worksheet V, Section C, line 11, column (b). . . . . **4a** \_\_\_\_\_**4b** Enter the total NOL deduction used in the current year from Worksheet V, Section C, line 11, column (c). Enter this amount on Schedule CA (540), line 21e, column B; Form 100, line 20; Form 100S, line 19; or Form 109, line 3 or line 11 . . . . . **4b** \_\_\_\_\_**4c** Enter the NOL carryover to future years from Worksheet V, Section C, line 11, column (e) . . . . . **4c** \_\_\_\_\_

**ELECTION:** For those taxpayers eligible for an NOL carryover under more than one subdivision of R&TC Section 17276.2 or 24416.2, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Section 17276.2(c) or 24416.2(c), for qualified businesses within a LAMBRA. If you elect to carry over an NOL under any of these provisions, you are prohibited by law from carrying over any other type of NOL from this year.

**Part V Portion of Business Attributable to the LAMBRA****5** Enter the average apportionment percentage of your business that is in the LAMBRA from Worksheet IV, line 4. If your business is wholly within one LAMBRA, the average apportionment percentage is 100% (1.00) . . . . . **5** \_\_\_\_\_**Part VI Recapture of Deduction and Credits****6** Recapture of hiring credit from Worksheet I, Section B, line 2. . . . . **6** \_\_\_\_\_**7** Recapture of sales or use tax credit from Worksheet II, Section B, line 2 . . . . . **7** \_\_\_\_\_**8** Recapture of business expense deduction from Worksheet III, Section B, line 2. . . . . **8** \_\_\_\_\_

Worksheet VI **Computation of Credit Limitations — LAMBRA**

**Part I Computation of Limitations. See Instructions.**

<b>1</b>	Trade or business income. <b>Individuals:</b> Enter the amount from the Income Worksheet, line 15, column (c) (page 12) on this line and on line 3 (skip line 2). See instructions on page 16 . . . . .	<b>1</b>	
<b>2</b>	<b>Corporations:</b> Enter the average apportionment percentage from Worksheet IV, line 4. See instructions. . . . .	<b>2</b>	
<b>3</b>	Multiply line 1 by line 2. See instructions . . . . .	<b>3</b>	
<b>4</b>	Enter the LAMBRA NOL deduction from Worksheet V, Section C, line 11, column (c) . . . . .	<b>4</b>	
<b>5</b>	LAMBRA taxable income. Subtract line 4 from line 3. . . . .	<b>5</b>	
<b>6a</b>	Compute the amount of tax due using the amount on line 3. See instructions. . . . .	<b>6a</b>	
<b>6b</b>	Enter the amount of tax from Form 540, line 24; Form 541, line 21; Form 100, line 22 or Form 100S, line 21. Corporations and S corporations see instructions . . . . .	<b>6b</b>	
<b>7</b>	Enter the smaller of line 6a or line 6b. This is the limitation based on LAMBRA business income. Go to Part II, Part III or Part IV. See instructions . . . . .	<b>7</b>	

**Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts**

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit (Add Col. (b) and Col. (c))	(e) Limitation Based on LAMBRA Business Income	(f) Used on Schedule P (Can never be greater than Col. (d) or Col. (e))	(g) Carryover (Col. (d) Minus Col. (e))
<b>8</b>	Hiring Credit	A					
		B					
<b>9</b>	Sales or Use Tax Credit	A					
		B					

**Part III Limitation of Credits for S Corporations Only**

	(a) Credit Name	(b) Credit Amount (See Instructions)	(c) S Corporation Credit (Multiply Col. (b) by 1/3)	(d) Total Prior Year Carryover	(e) Total Credit (Add Col. (c) and Col. (d))	(f) Credit Used this Year by S Corporation	(g) Carryover (Col. (e) Minus Col. (f))
<b>10</b>	Hiring Credit						
<b>11</b>	Sales or Use Tax Credit						

**Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax**

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit Carryover (Add Col. (b) and Col. (c))
<b>12</b>	Hiring Credit			
<b>13</b>	Sales or Use Tax Credit			



1997

# Local Agency Military Base Recovery Area Deduction and Credit Summary

3807

Attach to your California tax return.

Name(s) as shown on return

Social security or California corporation number

FEIN

**A. Check the appropriate box for your entity type:**

- ☐ Individual    ☐ Estate    ☐ Trust    ☐ C corporation    ☐ S corporation    ☐ Partnership  
☐ Exempt Organization    ☐ Limited Liability Company    ☐ Limited Liability Partnership

**B.** Enter the name of the Local Agency Military Base Recovery Area (LAMBRA) business: \_\_\_\_\_**C.** Enter the address (actual location) where the LAMBRA business is conducted. \_\_\_\_\_**D.** Enter the name of the LAMBRA in which the business and/or investment activity is located. See General Information E. \_\_\_\_\_**E.** Principal Business Activity Code number of the LAMBRA business . . . . . \_\_\_\_\_

Enter the 4-digit number from the Principal Business Activity Code Chart on page 20.

**F.** Total number of employees in the LAMBRA . . . . . \_\_\_\_\_**G.** Number of employees included in the computation of the hiring credit, if claimed . . . . . \_\_\_\_\_**H.** Number of new employees included in the computation of the hiring credit, if claimed . . . . . \_\_\_\_\_**I.** Gross annual receipts of the business . . . . . \_\_\_\_\_**J.** Total asset value of the business . . . . . \_\_\_\_\_**Part I Net Increase in Jobs****Note:** Complete Part I only if you have been doing business in a LAMBRA for 2 years.**1 a** Number of full-time employees in California in the 2nd year after operation in a LAMBRA . . . . . \_\_\_\_\_**b** Number of full-time employees in California prior to starting business in the LAMBRA. See instructions. . . . . \_\_\_\_\_Subtract line 1b from line 1a. This is the net jobs increase . . . . . **1** \_\_\_\_\_**Part II Credits Used****2** Hiring and sales or use tax credit claimed on the current year return:**a** Hiring credit from Worksheet VI, line 8A column (f) or line 10 column (f). . . . . \_\_\_\_\_**b** Sales or use tax credit from Worksheet VI, line 9A column (f) or line 11 column (f). . . . . \_\_\_\_\_Add line 2a and line 2b . . . . . **2** \_\_\_\_\_**Note:** To figure the amount of credits to carry over, complete Worksheet VI on Side 2.**Part III Business Expense Deduction for Equipment Purchases****3** Enter the cost of qualified property purchased for the LAMBRA that is being deducted as a current year business expense from Worksheet III, Section A, line 2 . . . . . **3** \_\_\_\_\_**ELECTION:** The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Section 17268 or 24356.8.

That election may not be revoked except with the consent of the Franchise Tax Board (FTB).

**Part IV Net Operating Loss Carryover and Deduction****4a** Enter the NOL carryover from prior years from Worksheet V, Section C, line 11, column (b). . . . . **4a** \_\_\_\_\_**4b** Enter the total NOL deduction used in the current year from Worksheet V, Section C, line 11, column (c). Enter this amount on Schedule CA (540), line 21e, column B; Form 100, line 20; Form 100S, line 19; or Form 109, line 3 or line 11 . . . . . **4b** \_\_\_\_\_**4c** Enter the NOL carryover to future years from Worksheet V, Section C, line 11, column (e) . . . . . **4c** \_\_\_\_\_

**ELECTION:** For those taxpayers eligible for an NOL carryover under more than one subdivision of R&TC Section 17276.2 or 24416.2, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Section 17276.2(c) or 24416.2(c), for qualified businesses within a LAMBRA. If you elect to carry over an NOL under any of these provisions, you are prohibited by law from carrying over any other type of NOL from this year.

**Part V Portion of Business Attributable to the LAMBRA**

**5** Enter the average apportionment percentage of your business that is in the LAMBRA from Worksheet IV, line 4. If your business is wholly within one LAMBRA, the average apportionment percentage is 100% (1.00) . . . . . **5** \_\_\_\_\_

**Part VI Recapture of Deduction and Credits****6** Recapture of hiring credit from Worksheet I, Section B, line 2. . . . . **6** \_\_\_\_\_**7** Recapture of sales or use tax credit from Worksheet II, Section B, line 2 . . . . . **7** \_\_\_\_\_**8** Recapture of business expense deduction from Worksheet III, Section B, line 2. . . . . **8** \_\_\_\_\_

Worksheet VI **Computation of Credit Limitations — LAMBRA**

**Part I Computation of Limitations. See Instructions.**

<b>1</b>	Trade or business income. <b>Individuals:</b> Enter the amount from the Income Worksheet, line 15, column (c) (page 12) on this line and on line 3 (skip line 2). See instructions on page 16 . . . . .	<b>1</b>	
<b>2</b>	<b>Corporations:</b> Enter the average apportionment percentage from Worksheet IV, line 4. See instructions. . . . .	<b>2</b>	
<b>3</b>	Multiply line 1 by line 2. See instructions . . . . .	<b>3</b>	
<b>4</b>	Enter the LAMBRA NOL deduction from Worksheet V, Section C, line 11, column (c) . . . . .	<b>4</b>	
<b>5</b>	LAMBRA taxable income. Subtract line 4 from line 3. . . . .	<b>5</b>	
<b>6a</b>	Compute the amount of tax due using the amount on line 3. See instructions. . . . .	<b>6a</b>	
<b>6b</b>	Enter the amount of tax from Form 540, line 24; Form 541, line 21; Form 100, line 22 or Form 100S, line 21. Corporations and S corporations see instructions . . . . .	<b>6b</b>	
<b>7</b>	Enter the smaller of line 6a or line 6b. This is the limitation based on LAMBRA business income. Go to Part II, Part III or Part IV. See instructions . . . . .	<b>7</b>	

**Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts**

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit (Add Col. (b) and Col. (c))	(e) Limitation Based on LAMBRA Business Income	(f) Used on Schedule P (Can never be greater than Col. (d) or Col. (e))	(g) Carryover (Col. (d) Minus Col. (e))
<b>8</b>	Hiring Credit	A					
		B					
<b>9</b>	Sales or Use Tax Credit	A					
		B					

**Part III Limitation of Credits for S Corporations Only**

	(a) Credit Name	(b) Credit Amount (See Instructions)	(c) S Corporation Credit (Multiply Col. (b) by 1/3)	(d) Total Prior Year Carryover	(e) Total Credit (Add Col. (c) and Col. (d))	(f) Credit Used this Year by S Corporation	(g) Carryover (Col. (e) Minus Col. (f))
<b>10</b>	Hiring Credit						
<b>11</b>	Sales or Use Tax Credit						

**Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax**

	(a) Credit Name	(b) Credit Amount	(c) Total Prior Year Carryover	(d) Total Credit Carryover (Add Col. (b) and Col. (c))
<b>12</b>	Hiring Credit			
<b>13</b>	Sales or Use Tax Credit			





# How to Get California Tax Information

(Keep This Page For Future Use)

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## General Toll-Free Phone Service

Our general toll-free telephone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 2 through April 15, 1998. The best times to call are between 7:00 a.m. and 10:00 a.m. and between 6:00 p.m. and 8:00 p.m. Service is also available on Saturdays, April 4 and April 11, from 8:00 a.m. until 5:00 p.m. After April 15, service is available Monday through Friday, from 8:00 a.m. until 5:00 p.m.

From within the  
United States, . . . . . 1-800-852-5711  
From outside the  
United States, . . . . . 1-916-845-6500  
(not toll-free)

For hearing impaired  
with TDD . . . . . 1-800-822-6268

For federal tax questions,  
call the IRS at 1-800-829-1040

## Asistencia Bilingüe en Español

Para obtener servicios en Español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.

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## Geographic Boundaries

Further information about geographic boundaries of the LAMBRA is available from:

ATTN ENTERPRISE ZONE PROGRAMS  
CALIFORNIA TRADE AND COMMERCE  
AGENCY  
801 K STREET SUITE 1700  
SACRAMENTO CA 95814  
Telephone: (916) 324-8211  
FAX: (916) 322-7214

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## Letters

If you find it necessary to write rather than call, please address your letter to:

ATTN RESOURCE DEVELOPMENT  
SECTION  
FRANCHISE TAX BOARD  
PO BOX 1468  
SACRAMENTO CA 95812-1468

Please allow eight to ten weeks for a reply. Include your California identification number and daytime telephone number on all correspondence.

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## Your Rights as a Taxpayer

Our goal at the Franchise Tax Board is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Publication 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the FTB on whether a particular transaction is taxable. You can order FTB Pub. 4058 by calling or writing the FTB using the address above for letters.

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## Economic Development Area Information

Further information about LAMBRA tax incentives is available from:

FRANCHISE TAX BOARD  
ECONOMIC DEVELOPMENT AREA  
INFORMATION  
Telephone: (916) 845-3464

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## Where to Get Income Tax Forms

**By Internet** – If you have Internet access, you may download, view and print 1994, 1995, 1996 and 1997 California tax forms and publications. Our Internet address is:  
<http://www.ftb.ca.gov>

**By phone** – Use F.A.S.T. to order 1994, 1995, 1996 and 1997 California personal income tax forms, 1997 California corporate tax forms and 1997 federal forms. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call 1-800-338-0505 and follow the instructions.

Please allow two weeks to receive your order. If you live outside California, please allow three weeks to receive your order.

**In person** – Most libraries, post offices and banks provide free California tax booklets during the filing season. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries, post offices, banks and quick print businesses cannot provide tax information or assistance.

**By mail** – Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307



# F.A.S.T. Toll-Free Phone Service

(Keep This Page For Future Use)

Call Fast Answers about State Taxes, the F.A.S.T. toll-free phone service you can use to:

- Find out about your current year tax refund;
- Order most California and federal income tax forms; and
- Hear recorded answers to many of your questions about California taxes.

F.A.S.T. is available in English and Spanish to callers with touch-tone telephones.

## When is F.A.S.T. Available?

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week.

## How To Use F.A.S.T.

Have paper and pencil ready to take notes.

Call from with the  
United States . . . . . 1-800-338-0505  
Call from outside the  
United States (not toll-free) . . . 1-916-845-6600

## To Find Out About Your Current Year Personal Income Tax Refund

You should wait at least two weeks after you file your tax return before you call to find out about your refund. You will need your social security number, the numbers in your street address, box number or route number, and your zip code to use this service. Refund status information is available from 6:00 a.m. until 10:00 p.m., seven days a week, except state holidays. Call the F.A.S.T. number, select refund information and follow the recorded instructions.

## To Order Forms

See the instructions for ordering forms on page 25. This service is available from 6:00 a.m. until 10:00 p.m., seven days a week, except state holidays.

## To Hear Answers To Your California Tax Questions

Recorded answers to your tax questions are available 24 hours a day, seven days a week. To receive answers to any of the following questions, call the F.A.S.T. number, select general tax information and enter the three-digit code when instructed to do so.

## Personal Income Tax Information

### Code – Question

#### Filing Assistance:

- 100 – Do I need to file a return?
- 111 – Which form should I use?
- 112 – How do I file electronically and get a fast refund?
- 200 – Where can I pick up a form today?
- 201 – How can I get an extension to file?
- 202 – There is no envelope in the booklet. Where do I send my return?
- 203 – How much do I get for renter's credit?
- 204 – I never received a Form W-2. What do I do?
- 205 – I have no withholding taken out. What do I do?
- 206 – Do I have to attach a copy of my federal return?
- 207 – Should I file my return even though I do not have the money to pay?
- 208 – How do I figure my estimate tax payments?
- 209 – I lived in California for part of the year. Do I have to file a return?
- 210 – I do not live in California. Why do I have to file a return?
- 211 – How do I figure my IRA deduction?
- 212 – How do I claim my disaster related loss?
- 215 – Who is the qualifying individual for the purpose of head of household filing status?
- 216 – I'm due a refund. Do I still need to file a return?
- 217 – I am currently/was in the military. Do I have to file a California return?
- 218 – I'm in the military. Do I have to use the same filing status as federal?
- 219 – I sold my personal residence. How do I report the sale to California?

- 220 – There is no difference in my state and federal depreciation, business income and capital gain income. What do I do?
- 221 – What is community property?
- 222 – How much can I deduct for vehicle license fees?
- 227 – How do I get a refund of excess SDI?
- 239 – Where can I get help with filing my income tax return?
- 240 – Does a tax return have to be filed for a deceased taxpayer?

#### Refunds:

- 300 – My spouse has passed away. You sent a refund with both our names on it. What do I do?
- 301 – I got a letter saying you sent my refund to another agency. Why?

#### Penalties:

- 400 – I have an extension of time to file my return. Why did I get a penalty?
- 401 – I filed my return on time. Why did I get a penalty?
- 402 – How can I protest a penalty?
- 403 – What is the estimate penalty rate?

#### Notices and Bills:

- 500 – I received a bill and I cannot pay it in full. What do I do?
- 501 – Why didn't you give me credit for my withholding?
- 502 – You didn't give me credit for my child as a dependent. What do I do?
- 503 – I don't have a homeowner's exemption. Why did you deny my renter's credit?
- 504 – I'm head of my house. Why was I denied head of household filing status?
- 505 – Why was my IRA denied?
- 506 – How do I get my Form 1099-G corrected?
- 508 – I received a notice that didn't show all payments made. How do I get credit for them?

#### Tax For Children Under 14:

- 601 – Can my child take a personal exemption credit when I claim her or him as a dependent on my return?
- 602 – Federal law limits the standard deduction. Is the state law the same?

#### Miscellaneous

- 610 – Can I pay my taxes with a credit card?
- 611 – What address do I send my payment to?
- 612 – I mailed my return and haven't heard anything. Should I send a copy of my return?
- 613 – I forgot to attach my Form(s) W-2 when I mailed my return. What do I do?
- 614 – I forgot to attach a copy of my federal return. What do I do?
- 615 – How do I get a copy of my state tax return?
- 616 – What should I do if my federal tax return was examined and changed by the IRS?
- 617 – What are the current interest rates?

## Corporation Franchise and Income Tax Information

### Code – Question

#### Filing Assistance

- 715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100?
- 717 – What are the tax rates for corporations?
- 718 – How do I get an extension of time to file?
- 722 – When do I have to file a short-period return?
- 730 – May I claim net operating losses in the first year?
- 731 – Are corporations allowed to use MACRS/ACRS or Section 179 expensing?
- 733 – Can the prepayment to the Secretary of State be applied to my last year of business?
- 734 – What is the difference between franchise tax and income tax?

#### S Corporations

- 704 – Is an S corporation subject to the minimum franchise tax?
- 705 – Are S corporations required to file estimate payments?
- 706 – What forms do S corporations file?
- 707 – The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 22 of Form 100S?
- 708 – Where do S corporations make the state tax adjustment on Schedule K-1 (100S)?

#### Exempt Organizations

- 709 – How do I get tax-exempt status?
- 710 – Does an exempt organization have to file Form 199?
- 735 – How can an exempt organization incorporate without paying corporation fees and costs?
- 736 – I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

#### Minimum Tax and Estimate Tax

- 711 – Why can't I claim my prepayment tax as credit or estimate payment on my return?
- 712 – What is the minimum franchise tax?
- 714 – I'm not doing business; do I have to pay the minimum franchise tax?
- 716 – When are my estimate payments due?

#### Billings and Miscellaneous Notices

- 723 – I received a bill for \$250. What is this for?
- 728 – Why was my corporation suspended?
- 729 – Why is my subsidiary getting a request for a return when we file a combined report?

#### Tax Clearance

- 724 – How do I dissolve my corporation?
- 725 – What do I have to do to get a tax clearance?
- 726 – How long will it take to get a tax clearance certificate?
- 727 – My corporation was suspended/forfeited. Can I still get a tax clearance?

#### Miscellaneous

- 617 – What are the current interest rates?
- 700 – Who do I need to contact to start a business?
- 701 – I need a state ID number for my business. Who do I contact?
- 702 – Can you send me an employer's tax guide?
- 703 – How do I incorporate?
- 719 – How do I properly identify my corporation when dealing with the Franchise Tax Board?
- 720 – How do I change my corporation name?
- 721 – How do I change my accounting period?
- 732 – What is the Water's-Edge Election?
- 737 – Where do I send my payment?
- 738 – What is electronic funds transfer?
- 739 – How do I get a copy of my state corporate tax return?